The BGMEA demanded 10 per cent cash incentive on export of garment manufactured from imported manmade fibre for five years so that local exporters can grab a bigger share of the $750 billion global market for non-cotton products.

PHOTO: STAR/FILE

Bangladesh looking to stay competitive after LDC graduation

Govt to provide bonded warehouse facility for 10 sectors, seeks alternative to cash subsidy

REFAYET ULLAH MIRDHA

The government will soon find an alternative for cash subsidies on export so that local exporters can remain competitive even after Bangladesh graduates from the list of least developed countries (LDCs) in 2026, according to experts.

Besides, the government will introduce bonded warehouse facilities for at least 10 sectors with high export potential in order to keep their earnings unhurt after graduation.

These decisions were taken yesterday at a meeting of the National Committee on Exports, chaired by Prime Minister Sheikh Hasina at Gonobhaban in Dhaka.

Various ministers and their secretaries, senior officials of government agencies, and leaders of different businesses and trade bodies attended the meeting.

The meeting mainly focused on Bangladesh's preparedness for facing challenges in trade after graduation, when the country will no longer enjoy preferential trade benefits as an LDC.

As per rules set by the World Trade Organisation, the government of any developing or developed country cannot enjoy direct cash incentives on export.

So, the government will continue giving direct cash incentives up till 2026, after which the subsidy will be provided in other forms, Tapan Kanti Ghosh, senior secretary to the commerce ministry, told The Daily Star after the meeting.

"Most of the alternatives for cash subsidies in export sectors have to do with policy support," Ghosh said without elaborating further.

Last year, the government paid nearly $1 billion as cash incentives on export receipts.

To ensure that Bangladesh maintains its pace in export earnings after graduation, the government will launch bonded warehouse facilities for 10 sectors with high export potential, including ceramics, pharmaceuticals, agro-processing, plastic, leather and leather goods.

These sectors will get duty-free raw material imports under the bonded warehouse facility, which has been enjoyed by the garment sector for many years now to much success.

The commerce ministry has already extended the validity of import registration certificates and export registration certificates to five years instead of one year as businesses and international trading partners have long been urging for the automation and simplification of trade rules.

Moreover, the commerce ministry will issue a circular within a day or two for extending the validity of Rules of Origin certificates obtained from the Export Promotion Bureau (EPB) to five years from one year.

The certificate is mandatory for availing benefits under the Generalised System of Preferences (GSP). The EPB will issue five-year certifications for green industries while that of yellow industrial units will last two years.

The automation and simplification of trade is expected to help Bangladesh become more competitive in global trade after its LDC graduation.

The government has also been working on commencing full operations at all Special Economic Zones, Ghosh said.

As an LDC, more than 73 per cent of the country's international trade is conducted under the GSP facility in 38 countries.

This means that 73 per cent of Bangladesh's $52 billion earnings from merchandise exports in fiscal 2021-22 came under preferential trade benefits as an LDC.

But following LDC graduation, local exporters will face nearly 12 per cent duty on shipments to the EU if Bangladesh cannot obtain GSP plus benefits.

The EU has already confirmed that the trade bloc of 27 countries will continue providing the LDC trade benefit to Bangladesh until 2029 as they give three years as a grace period for graduates.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), demanded 10 per cent cash incentive on garment exports, including those made from imported manmade fibre (MMF), for five years so that local exporters can grab a bigger share of the roughly $750 billion global market for non-cotton products.

After five years, local textile millers will be able to make the MMF based yarn and then continuation of the incentive will not be required, he said.

Hassan also demanded the withdrawal of VAT and other taxes on the procurement and sourcing of recycled fabrics to be more competitive in the segment as demand for recycled garment items is on the rise globally.

The BGMEA chief then demanded source tax be reduced to 0.50 per cent from the existing 1.0 per cent.

No minimum deposit for micro-merchant accountholders

STAR BUSINESS REPORT

Small merchants who have personal retail accounts will not have to maintain any minimum deposit and face any account maintenance fee, according to a central bank notice.

In November 2020, the central bank allowed micro and underprivileged businesses to open personal retail accounts with a view to bringing millions of small traders under the digital payment ecosystem.

This enables micro and underprivileged businesses that have accounts with banks, mobile financial service and payment service providers to open personal retail accounts without a trade licence.

Yesterday, the central bank said the personal retail accounts of the labour-intensive micro/floating enterprises, service providers engaged in various marginalised segments, and the individuals who sell products and services online would be considered special privileged accounts.

So, they would be exempted from retaining the minimum deposits until further notice, said the BB in a notice.

Similarly, no account maintenance fee can be charged against such accounts, it said.

India plans to extend fuel export curbs beyond March

REUTERS, *New Delhi*

India plans to extend restrictions on the export of diesel and gasoline after the current fiscal year ends this month to ensure the availability of refined fuels for the domestic market, two government sources with direct knowledge of the matter said.

The extension of rules may discourage some Indian refiners, mainly private companies, from buying Russian fuels for re-exports to countries including those in Europe that have stopped purchases of refined products from Russia due to its invasion of Ukraine.

India, the world's third-largest oil consumer, imposed a windfall tax on refined fuel exports last year and mandated that companies sell the equivalent of 50 per cent of their gasoline exports and 30 per cent of their diesel exports domestically in the current fiscal year to March 31.

New Delhi issued the rare restrictions after private refiners Reliance Industries and Nayara Energy, key Indian buyers of discounted Russian supplies, began reaping major profits by aggressively boosting fuel exports instead of domestic sales.

That forced state refiners to fill the void and meet demand at home by selling fuels at government-capped lower prices. India's oil and commerce ministries are discussing the extension of the order to beyond this fiscal year, one of the government sources said.

Should tax-free income limit rise?

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research fellow of the Centre for Policy Dialogue (CPD).

The private think-tank calculated that a household of four persons residing in the Dhaka city needs Tk 23,676 a month to a make a decent living.

The second slab for personal income tax that is 5 per cent for the additional Tk 1 lakh should be increased to Tk 3 lakh to provide a cushion to limited-income earners, said Khan.

The government has maintained the tax-free income limit at Tk 3 lakh since the fiscal year of 2020-21 although the cost of living has gone up significantly since then.

At the same time, the highest tax rate was reduced from 30 per cent to 25 per cent, a move that goes against the cause of promoting tax justice, according to a number of analysts.

"The inflation rate is really high in Bangladesh, so it is tough to run a family with a monthly salary of Tk 25,000 to 30,000. So, the tax-free income limit should be readjusted," said Mohammad Abdur Razzaque, chairman of the Research and Policy Integration for Development.

"If the limit is raised, it will not impact the government's revenue generation to a large extent since this group of taxpayers pays a low amount of taxes."

The economist urged the National Board of Revenue (NBR) to expand the tax net by bringing the people who are not showing their income properly under the tax system.

Inflation in Bangladesh climbed 8.78 per cent in February, breaking a five-month declining trend. It surged to a 10-year high of 9.52 per cent in August, driven by higher commodity prices in the global markets owing to the Russian-Ukraine war. This has eroded the buying capacity of the people.

In order to protect their citizens from the ongoing cost-of-living crisis, many countries have taken tax measures.

In India, for example, the basic tax exemption limit has been hiked to 3 lakh rupees from 2.5 lakh rupees for the financial year beginning on April 1, 2023.

Ahsan H Mansur, executive director of the Policy Research Institute, however, says the tax-free income level is higher in Bangladesh compared to the developed nations in terms of per capita income.

"So, I don't support raising the tax-free income level. Instead, people should pay direct tax even if they earn a lower amount. The mindset to pay tax should be developed."

Analysts say the misuse of the taxpayers' money is discouraging people to pay taxes, so the government should ensure accountability and transparency in guaranteeing the value for money.

When people see that their hard-earned money, paid in the form of tax, is misused and they don't get quality healthcare, education, and other services, they feel discouraged to pay taxes, according to Mansur.

"We should make the government accountable in utilising the taxpayers' money."

"We are talking to stakeholders now and they are also recommending raising the tax-free income level," said Sams Uddin Ahmed, member for tax policy at the NBR.

"The NBR will make a decision soon considering the present economic situation."

5 projects to seek extra Tk 1,119cr

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The project was to be implemented between July 2018 and June 2023 but the deadline could be extended to June 2025 if the proposal is accepted.

Additionally, the estimated cost could go up to Tk 2,458 crore from Tk 1,869 crore.

Similarly, the countrywide mobile library project, which was initially set for completion between July 2018 and December 2020, will seek a second deadline extension for four more years till December 2024.

If the proposal is greenlit, the project cost will rise to Tk 111 crore from Tk 37 crore originally.

Likewise, the establishment of a vocational teachers training institute in Dhaka was supposed to finish in four years by June 2020.

However, a proposal for the project's fourth revision will request three more years till June 2023 for completion while the cost involved could rise to Tk 96 crore from Tk 86 crore.

The Bureau of Manpower Employment and Training, the implementing agency, held the imposition of Tk 16 crore VAT for the purchase of machineries as well rising foreign currency rates for the revision.

The project of the Energy and Mineral Resources Division for installing prepaid gas meters in 41 areas of Dhaka by Titas Gas Transmission and Distribution Company Limited had an initial deadline of between January 2015 and December 2018.

The project will now seek its third revision, under which the deadline will be extended by another five-and-a-half years till June 2024 while the cost will go up to Tk 928 crore from Tk 712 crore.

The project is seeking revision based on the higher cost of different components.

Sheikh Nadir Hossain Lipu, chairman of Milk Vita (Bangladesh Milk Producers' Co-operative Union), inaugurated Lohagora branch of Premier Bank at Lohagora Bazar in Norail recently. Syed Nowsher Ali, additional managing director of the bank, and Tareq Uddin, executive vice-president, were present.

PHOTO: PREMIER BANK

Banks may lose 40% assets

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Besides, no auditor will be allowed to make a report public without vetting from the FRC, he said, adding that if any company's revenue crosses Tk 50 crore, then it will be considered a public interest entity.

There are around 3,400 such entities at present. Apart from these, around 2,500 microcredit organisations have been operating in Bangladesh under the FRC's radar.

The FRC will form separate panel auditors for banks, insurance companies, and listed companies that would have the sole authority to audit them.

Bhuiyan also expressed pessimism about the response from the insurance sector as they did not agree to follow the IFRS.

Life insurance companies do not form any profit and loss accounts, keeping only revenue accounts instead.

However, the keeping of such accounts is mandatory as per the International Accounting Standard regardless of a company's nature.

"We requested them, but none responded yet," he said.

The FRC is now working to form necessary regulations and recruit adequate manpower. When all this is in hand, it will then work in full swing and people will get the benefit, Bhuiyan added.

Ziaur Rahman, president of the CMJF, and Abu Ali, secretary general, were present.

Foreign banks see spike in deposits

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trend. It surged to a 10-year high of 9.52 per cent in August, driven by higher commodity prices in the global markets owing to the Russian-Ukraine war.

The weighted average interest rate on deposits was 4.24 per cent in the three months to December, slightly up from 4.06 per cent from a year earlier.

In an emailed reply to The Daily Star, Citibank in Dhaka said Citi with its client base of large multinationals and top-tier local corporates, attracts solution-based deposits and, consequently, manages significant client deposits.

"With our unique global footprint across 95 countries, we are also the sole banker to many of our clients. This has helped attract as well as build up a strong deposit base over time."

Shah Md Ahsan Habib, a professor at the Bangladesh Institute of Bank Management, says there has been an erosion of confidence among a section of savers to some extent.

"But this should not be linked with the deposit growth in foreign banks. It may be that the overall portfolio of some international banks has increased, not all foreign banks," he said, adding that people also don't have much confidence in some foreign banks as well.

Regarding the deposit growth in the state-run banks, Prof Habib said, "People's trust in state agencies deepens when uncertainty develops in other areas."